

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Cass County Conservation District	County Cass
Fiscal Year End September 30, 2006	Opinion Date November 8, 2006	Date Audit Report Submitted to State January 31, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

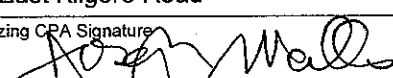
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Siegfried Crandall P.C.		Telephone Number (269) 381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 		Printed Name Joseph M. Walls	License Number 1101013696

Cass County Conservation District
Cass County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended September 30, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Cass County Conservation District

MANAGEMENT DISCUSSION AND ANALYSIS

As the management of the Cass County Conservation District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of Cass County Conservation District for the fiscal year ended September 30, 2006.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$80,403 (*net assets*). Of this amount, \$80,261 (*unrestricted net assets*) may be used to meet the District's ongoing obligations.
- The District's total net assets increased by \$2,201 during the year.
- At the end of the current fiscal year, unreserved fund balance for the operating fund was \$80,261, or 45 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. To simplify financial reporting and improve readability, the government-wide financial statements and fund financial statements have been combined to report the statement of net assets and general fund balance on a single page and the statement of activities and general fund revenues, expenditures and changes in fund balance on a single page.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the District's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Cass County Conservation District
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 6 through 8 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$80,403 at the close of the most recent fiscal year.

District's net assets

	<u>2006</u>	<u>2005</u>
Current assets	\$ 85,010	\$ 78,520
Fixed assets, net	<u>142</u>	<u>1,371</u>
Total assets	<u>85,152</u>	<u>79,891</u>
Current liabilities	<u>4,749</u>	<u>1,689</u>
Net assets:		
Investment in capital assets	142	1,372
Unrestricted	<u>80,261</u>	<u>76,830</u>
Total net assets	<u>\$ 80,403</u>	<u>\$ 78,202</u>

Cass County Conservation District
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The District's net assets increased by \$2,201, during the fiscal year due generally to effective grant administration, budgetary monitoring and special event sales (trees and calendars). Management will continue to seek ways to get funding through grants for projects and staff.

District's condensed statement of activities

	<u>2006</u>	<u>2005</u>
REVENUES		
Federal grants	\$ 81,340	\$ 168
State grants	67,419	79,123
Contributions from local units	-	3,000
Charges for services	30,786	27,090
Interest	2,365	641
Other	913	1,425
Total revenues	<u>182,823</u>	<u>111,447</u>
EXPENSES		
Public works	<u>180,622</u>	<u>116,478</u>
Increase (decrease) in net assets	<u>\$ 2,201</u>	<u>\$ (5,031)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's sole governmental fund reported an ending fund balance of \$80,261, an *increase* of \$3,431 in comparison with the prior year. All of the fund balance is unreserved and represents approximately 45 percent of total Operating Fund expenditures.

Capital assets. The District's investment in capital assets as of September 30, 2006, amounts to \$142 (*net of accumulated depreciation*). There were no significant additions or deletions during the year.

Economic Factors and Next Year's Budgets and Rates

The overall increase in nets assets was a result of grant administration, budgetary monitoring, and special event sales. There is some anxiety regarding potential budget shortfalls due to elimination of state revenue sharing at the local level. Management will continue to encourage the wise management of natural resources by providing conservation programs, technical and financial assistance, and conservation education.

Cass County Conservation District
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Amy Druskovich, Executive Director
1127 E. State Street
Cassopolis, MI 49031

Phone: (269) 445-8643 ext. 3

INDEPENDENT AUDITORS' REPORT

**Board of Directors
Cass County Conservation District**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Cass County Conservation District as of and for the year ended September 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Cass County Conservation District as of September 30, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cass County Conservation District's basic financial statements. The schedule of revenues and expenditures - Operating Fund is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The schedule of revenues and expenditures - Operating Fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Board of Directors
Cass County Conservation District
Page 2**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2006, on our consideration of the Cass County Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Sigfried Crandall P.C.

November 8, 2006

BASIC FINANCIAL STATEMENTS

Cass County Conservation District

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

September 30, 2006

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
ASSETS			
Cash	\$ 71,120	\$ -	\$ 71,120
Accounts receivable	13,508	-	13,508
Inventory	382	-	382
Fixed assets, net	-	142	142
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 85,010</u>	<u>\$ 142</u>	<u>85,152</u>
LIABILITIES			
Accounts payable	\$ 3,340	\$ -	3,340
Accrued liabilities	1,409	-	1,409
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	4,749	-	4,749
FUND BALANCE			
Unreserved, undesignated	<u>80,261</u>	<u>(80,261)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 85,010</u>		
NET ASSETS			
Investment in capital assets		142	142
Unrestricted		<u>80,261</u>	<u>80,261</u>
Total net assets		<u>\$ 80,403</u>	<u>\$ 80,403</u>

Total fund balance

\$ 80,261

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

142

Total net assets

\$ 80,403

See notes to financial statements

Cass County Conservation District**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/
STATEMENT OF ACTIVITIES***Year ended September 30, 2006*

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
PROGRAM REVENUES			
Federal grants	\$ 81,340	\$ -	\$ 81,340
State grants	67,419	-	67,419
Charges for services	30,786	-	30,786
Interest	2,365	-	2,365
Other	<u>913</u>	<u>-</u>	<u>913</u>
Total program revenues	182,823	-	182,823
EXPENDITURES/EXPENSES			
Public works	<u>179,392</u>	<u>1,230</u>	<u>180,622</u>
NET CHANGE IN FUND BALANCE/NET ASSETS	3,431	(1,230)	2,201
FUND BALANCE/NET ASSETS - BEGINNING	<u>76,830</u>	<u>1,372</u>	<u>78,202</u>
FUND BALANCE/NET ASSETS - ENDING	<u>\$ 80,261</u>	<u>\$ 142</u>	<u>\$ 80,403</u>

Net change in fund balance \$ 3,431

Amounts reported in the statement of activity are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$1,230) exceeded capital outlay (\$0) in the current period.

(1,230)

Change in net assets \$ 2,201

See notes to financial statements

Cass County Conservation District
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Cass County Conservation District (the District) was organized in 1947 for the purpose of "providing local guidance and involvement in the promotion of soil conservation in Cass County, Michigan." The District is a local unit of State Government, which operates under the direction of a board of directors. The Board oversees the development and implementation of soil and water conservation activity in Cass County, Michigan.

The accounting policies of the District conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the District. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the District's financial statements. Also, the District is not a component unit of any other entity.

b) Basis of accounting:

The statement of net assets and the statement of activities are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenue is recorded when earned and expenses when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

The modified accrual financial statements are reported using current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available if collected in the current period or are expected to be collected within 60 days of the end of the current fiscal year end. Expenditures are generally recognized when the related liability is incurred.

c) Assets and liabilities:

i) *Cash* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - All receivables are considered to be fully collectible as presented.

iii) *Inventory* - Consist of books available for sale recorded at cost.

iv) *Capital assets* - capital assets, which consist solely of equipment, are defined by the District as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives of 5 to 10 years.

Cass County Conservation District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

NOTE 3 - CASH:

A reconciliation of cash and cash equivalents to the District's deposits and cash on hand, as shown in the balance sheet, is as follows:

Financial statements	
Cash	<u>\$ 71,120</u>
Notes to financial statements:	
Deposits with financial institutions	\$ 71,020
Cash on hand	<u>100</u>
	<u>\$ 71,120</u>

Deposits with financial institutions:

Deposits are carried at cost and are maintained at various financial institutions in the name of the District. Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The District's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At September 30, 2006, \$59,697 of the District's bank balances of \$74,756 was exposed to custodial credit risk because it was uninsured. The District believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the District evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the District consist of earned grant revenue associated with program costs incurred by District through September 30, 2006.

Cass County Conservation District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity of the District for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets being depreciated - equipment	\$ 9,722	\$ -	\$ -	\$ 9,722
Less accumulated depreciation	<u>8,350</u>	<u>1,230</u>	<u>-</u>	<u>9,580</u>
Total capital assets being depreciated, net	<u>\$ 1,372</u>	<u>\$ (1,230)</u>	<u>\$ -</u>	<u>\$ 142</u>

NOTE 6 - RISK MANAGEMENT:

The District is exposed to various risks of loss to general liability, property and casualty, and workers' compensation, with such risks being managed through the purchase of commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

Cass County Conservation District
BUDGETARY COMPARISON SCHEDULE - Operating Fund
Year ended September 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Federal grants	\$ 84	\$ 78,641	\$ 81,340	\$ 2,699
State grants	73,250	70,538	67,419	(3,119)
Contribution from local units	2,000	-	-	-
Charges for services	33,915	33,961	30,786	(3,175)
Interest	1,250	2,650	2,365	(285)
Other	850	913	913	-
Total revenues	111,349	186,703	182,823	(3,880)
EXPENDITURES				
Public works	<u>111,349</u>	<u>180,944</u>	<u>179,392</u>	<u>1,552</u>
NET CHANGE IN FUND BALANCES	-	5,759	3,431	(2,328)
FUND BALANCES - BEGINNING	<u>76,830</u>	<u>76,830</u>	<u>76,830</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 76,830</u>	<u>\$ 82,589</u>	<u>\$ 80,261</u>	<u>\$ (2,328)</u>

OTHER SUPPLEMENTARY INFORMATION

Cass County Conservation District**SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES - Operating Fund**

Year ended September 30, 2006

REVENUES

Federal grants - MEANDRS	\$ 81,340
State grants:	
Operating	19,200
Ground Water Stewardship	22,500
Ground Water Cost Sharing	3,719
MEAEP	22,000
Total state grants	67,419
Charges for services:	
Reforestation	17,094
Calendars	12,024
Plat books	1,143
Other	525
Total charges for services	30,786
Interest	2,365
Other - donations	913
Total revenues	182,823

EXPENDITURES

Public works:	
Salary and wages	50,716
Payroll taxes	4,096
Fringe benefits	5,503
Contractual services	7,582
Cost of trees and merchandise sold	17,841
Insurance	1,919
Office supplies and equipment	3,869
Advertising and marketing	407
Training and conferences	822
Transportation and mileage	2,755
Dues and fees	275
Meetings	652
Printing and postage	626
MEANDRS program costs	81,340
Other program costs	989
Total public works	179,392

NET CHANGE IN FUND BALANCE	\$ 3,431
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**I INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Board of Directors
Cass County Conservation District

We have audited the financial statements of the governmental activities and the major fund of Cass County Conservation District (the District), as of and for the year ended September 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, and not to provide opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Cass County Conservation District in a separate letter dated November 14, 2006.

Siegfried Crandall P.C.

November 14, 2006

November 14, 2006

Board of Directors
Cass County Conservation District

We have audited the financial statements of the governmental activities and the major fund of Cass County Conservation District (the District), as of and for the year ended September 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In planning and performing our audit of the financial statements of the District, for the year ended September 30, 2006, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated November 8, 2006, on the basic financial statements of the Cass County Conservation District.

- The limited number of District staff reduces the opportunities for segregation of duties in the District's accounting processes. The District has implemented mitigating controls over the cash disbursement function by requesting that District board members review and approve vendor and payroll disbursements. Management should also seek ways to increase board member involvement in the cash receipting process, by having a specified board member review the composition and timeliness of bank deposits, and by reviewing and approving the District's cash receipt procedures during its annual tree sales.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

Siegfried Crandall P.C.